

## Message Text

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ACTION NEA-09

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TAGS: USEGJC; EINV, EAID

SUBJECT: JWG ON ECONOMIC AND FINANCIAL COOPERATION:

FEASIBILITY STUDIES

FROM MAESTRONE

REF: (A) CAIRO 2873; (B) CAIRO 2846

1. AS REPORTED REFTEL A, MINI-JWG MEETING ON MARCH 18 INCLUDED LENGTHY AND DISJOINTED PRESENTATION BY EGYPTIAN SIDE OF FUTURE ROLE OF MINISTRY FOR ECONOMIC COOPERATION WITH RESPECT TO DEVELOPMENT OF INVESTMENT PROJECTS. ALLUDING TO MEETING (REFTEL B) WHICH PRIMMIN HEGAZY AND HE HAD WITH PRES SADAT IN ASWAN ON MARCH 15 ON STATUS OF "OPEN DOOR" POLICY, MINISTER FOR ECON. COOP DR. AMIN OPENED DISCUSSION OF THE SUBJECT WITH THE ANNOUNCEMENT THAT HE HAD BEEN DIRECTED TO ESTABLISH A STAFF WITHIN HIS MINISTRY TO CONDUCT FEASIBILITY STUDIES ACROSS THE BOARD. AMIN ALSO MENTIONED SESSION OF HIGHER POLITICAL AND ECONOMIC PLANNING COMMITTEE, CHAIRED BY HEGAZY ON MARCH 16, ON WHICH NEWSPAPERS REPORTED THAT COMMITTEE HAD DECIDED TO ESTABLISH AN "AGENCY" AT THE MINECONCOOP WHOSE FUNCTION WOULD BE TO PREPARE PROJECTS IN PRESENTABLE FORM TO PASS ON TO FINANCING BODIES WITH EGYPT AND ABORAD.

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2. IN AMPLIFYING HIS ANNOUNCEMENT, AMIN DWELT AT SOME LENGTH

ON INABILITY OF GOVERNMENT AGENCIES TO PROCEED RAPIDLY WITH DEVELOPMENT OF INVESTMENT PROJECTS AND ON POINT THAT AD HOC SELECTION OF PROJECTS BY INVESTORS AND/OR GOVERNMENT AGENCIES FAILED TO MEET ESSENTIAL REQUIREMENTS OF EGYPT. THEREFORE, AMIN CONCLUDED THAT, SINCE INVESTORS THEMSELVES WOULD BE RESPONSIBLE FOR FINALIZING AND IMPLEMENTING PROJECTS, FUNCTION OF OTHER GOVERNMENT AGENCIES IN DEVELOPMENT AND EXECUTION OF INVESTMENT PROJECTS WAS VERY LIMITED, AND THAT HE WOULD RECRUIT STAFF TO UNDERTAKE ALL INVESTMENT FEASIBILITY STUDIES.

3. AT THIS POINT, THE U.S. SIDE AGREED THAT STRENUOUS EFFORT WAS NEEDED TO DEVELOP FINANCIABLE INVESTMENTS. HOWEVER, WE WONDERED ABOUT ASSUMPTION OF FULL RESPONSIBILITY FOR FEASIBILITY STUDIES BY THE MINECONCOOP, POINTING OUT THAT HUGE STAFF WOULD BE NECESSARY TO UNDERTAKE SUCH STUDIES ACROSS THE BOARD.

4. IN AN APPARENT ATTEMPT TO CLARIFY THE MINISTRY'S ROLE, RAFIK SUWAILEM, AMIN'S UNDERSECRETARY, RESPONDED THAT THE MAIN TASKS OF MINECONCOOP WOULD BE TO LOOK AT EACH PROJECT FROM STAND-POINT OF ITS RELATIONSHIP TO THE NATIONAL ECONOMY, DEVELOPMENTAL GOALS, AND OVERALL PRIORITIES FOR ALLOCATION OF SCARCE PRIORITIES. MAHMOUD LOUTFI, CHAIRMAN OF THE INVESTMENT AND FREE ZONES AUTHORITY, THEN FURTHER ATTEMPTED TO CLARIFY SUWAILEM'S REMARKS BY INDICATING THAT THEY DID NOT APPLY TO FREE ZONE INVESTMENTS SINCE IMPACT OF SUCH PROJECTS ON EGYPTIAN ECONOMY WAS NOT AT ISSUE. AMIN ADDED THAT NATURE AND FEASIBILITY OF FREE ZONE PROJECTS WOULD BE LEFT COMPLETELY TO INVESTORS, IMPLYING THAT RISKS INVOLVED WOULD NOT BE GOE CONCERN.

5. IN A STATEMENT SOMEWHAT AT ODDS WITH HIS PREVIOUS PRESENTATION, AMIN WENT ON TO SAY THAT HIS MINISTRY WAS NOW IN PROCESS OF SOLICITING FROM EACH OF THE OTHER MINISTRIES PRE-FEASIBILITY STUDIES WHICH WOULD BE IN SUFFICIENT DETAIL TO ATTRACT POTENTIAL INVESTORS. HIS MINISTRY WOULD REVIEW THESE STUDIES TO MAKE SURE THAT THEY COVERED ESSENTIAL POINTS AND WERE IN LINE WITH NATIONAL REQUIREMENTS AND PRIORITIES. HE WOULD THEN HAVE THEM MADE UP INTO INDIVIDUAL BROCHURES TO HAND OUT TO VISITORS AND TO DISTRIBUTE IN OTHER WAYS. THUS, HE WOULD HAVE MORE THAN A SIMPLE LIST OF PROJECT TITLES TO USE IN DISCUSSIONS WITH POTENTIAL VISITORS.

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6. IN ANY EVENT, AFTER FURTHER INCONCLUSIVE DISCUSSION BETWEEN THE EGYPTIANS THEMSELVES, IT WAS CLEAR TO ALL THAT, WHILE AMIN AND HIS MINISTRY WERE SEIZED WITH LEGITIMATE RESPONSIBILITY FOR ACCELERATING INVESTMENTS AND FOR ASSESSING PROJECT PROPOSALS IN TERMS OF NATIONAL PRIORITIES, THE MATTER OBVIOUSLY NEEDED CONSIDERABLE FURTHER THOUGHT.

7. DR. AMIN ACKNOWLEDGED THIS AND INDICATED THAT HE WELCOMED

OUR COMMENTS AND SUGGESTIONS. WE AGREED TO WORK CLOSELY WITH HIS STAFF AND OFFERED AID ASSISTANCE IN FINANCING U.S. CONSULTANTS TO HELP, ONCE APPROPRIATE MINISTRY ROLE WAS SORTED OUT.

8. COMMENT: WE ARE NOT SURE JUST WHAT AMIN CONSIDERS TO BE A FULL FEASIBILITY STUDY, BUT DOUBT THAT HE UNDERSTANDS THE SCOPE AND COMPLEXITIES OF THE WORK INVOLVED. IT MAY WELL BE THAT HE SEES REFINEMENT AND SCREENING OF PROPOSALS HE IS SOLICITING FROM OTHER MINISTRIES AS THE TYPE OF FEASIBILITY WORK HIS MINISTRY WOULD DO. IF NOT, IT WAS LEFT UNCLEAR AT WHAT STAGE OR TO WHAT EXTENT HIS MINISTRY WOULD TRANSLATE THE PROJECT PROPOSALS INTO COMPREHENSIVE FEASIBILITY STUDIES.

9. WE WILL MAINTAIN CONTACT WITH MINISTRY IN EFFORT TO GAIN CLEARER UNDERSTANDING OF MANDATE HANDED TO AMIN AND MINISTRY'S THINKING ON WAYS TO CARRY IT OUT. AS APPROPRIATE, WE WILL PASS ON OUR OWN THINKING AND, IF SITUATION JELLS TO POINT WHERE IT APPEARS OUTSIDE ASSISTANCE COULD BE EFFECTIVE, WE WILL MAKE FURTHER OFFER TO AMIN. HOWEVER, ISSUE OF PROPER MINISTRY ROLE IS OVERLADEN WITH SENSITIVE INTERGOVERNMENTAL AND BUREAUCRATIC CONSIDERATIONS, AND ROLE EVENTUALLY ADOPTED BY MINECONCOOPE MUST BE PRIMARILY ONE OF THEIR OWN CHOOSING. END COMMENT.

10. SEPTEL FOLLOWS ON STATUS DISCUSSIONS WITH THE NATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT REGARDING ESTABLISHMENT OF TRAINING FUNCTION RE PROJECT DEVELOPMENT AS RECOMMENDED BY U.S. TEAM.  
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